

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 EB-11 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04

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P R 060911Z MAR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 418

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

LIMITED OFFICIAL US TOKYO 2993

E.O. 11652 N/A

TAGS: ENRG, JA

SUBJ: JAPANESE OIL PRICE CONTROLS

REF: TOKYO 2912 B) TOKYO 2689

SUMMARY: DESPITE PREVIOUS DENIALS OF SIMILAR ALLEGATIONS,
EXXON DOES IN FACT PLAN TO REDUCE MARCH SUPPLY OF OIL
PRODUCTS TO JAPAN BY 15 PERCENT BECAUSE OF CURRENT GOJ
FREEZE ON PRICES OF PETROLEUM PRODUCTS. EMD SUMMARY

1. IT APPEARS EXXON SOURCES WERE LESS THAN CANDID IN
DENYING TO EMBASSY AND PRESS ON MARCH 4 AND 5 THAT
COMPANY PLANNED CUTBACK OF SUPPLY OF OIL TO JAPAN. ON
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EVENING OF MARCH 5, PRESIDENT OF EXXON'S SUBSIDIARY IN

JAPAN, WEXLER, CONFIRMED TO ECONOMIC/MIN THAT COMPANY HAD INFORMED MITI APPROXIMATELY TWO WEEKS AGO THAT ITS MARCH SUPPLY PLAN WOULD BE REDUCED BY ABOUT 15 PERCENT FROM EARLIER PROJECTIONS OF MARCH SALES. MITI OFFICIALS HAD NOTED SIGNIFICANCE OF THIS DECISION UNTIL FEW DAYS AGO. WEXLER SAID REASON FOR CUTBACK WAS FACT THAT GOJ CONTINUING TO FREEZE SALE PRICE OF PETROLEUM PRODUCTS AT DECEMBER LEVELS AND THAT EXXON ACTED TO MINIMIZE LOSSES CAUSED BY FREEZE. IN LATE AFTERNOON OF MARCH 5 YAMAGATA, DIRECTOR-GENERAL OF MITI'S RESOURCES AND ENERGY AGENCY, INFORMED PRESS THAT MITI HAD RECEIVED QTE UNOFFICIAL INFORMATION UNQTE THAT EXXON SUBSIDIARY IN JAPAN PLANNED 15 PERCENT CUTBACK BASED ON ITS ORIGINAL OIL PRODUCTS SALES PROJECTION FOR MARCH.

2. ANOTHER EXXON SOURCE SAID ORIGINALLY MARCH VOLUME HAD BEEN BASED ON DAILY AVERAGE FOR FEBRUARY PLUS SLIGHT UPWARD SEASONAL ADJUSTMENT. PRODUCT SALES BY EXXON SUBSIDIARY WOULD BE CUT 15 PERCENT BELOW THIS DURING MARCH UNLESS RELIEF IS OBTAINED. SOURCE SAID COMPANY WOULD REEXAMINE SITUATION EVERY TEN DAYS, BUT THAT NO IMPROVEMENT LIKELY UNLESS PRICE FREEZE LIFTED. ASKED WHY COMPANY HAD SO VIGOROUSLY DENIED SIMILAR ALLEGATIONS DAY BEFORE (REFTEL A), SOURCE SAID THERE HAD BEEN SOME QTE CONFUSED SIGNALS UNQTE WITHIN COMPANY.

3. EXXON CASE NOT HELPED BY ANNOUNCEMENT APPEARING IN PRESS MARCH 6 THAT 1973 PROFITS OF ITS JAPANESE SUBSIDIARY WERE UP 104 PERCENT OVER 1972. COMPANY SOURCES CLAIMED, HOWEVER THAT ESSO IN JAPAN CURRENTLY LOSING \$5 PER BARREL ON OIL IMPORTED FOR ITS OWN PROCESSING AND THAT IN FEBRUARY LOSS CAME TO \$1 MILLION PER DAY QTE ENTIRELY WIPING OUT UNQTE 1973 PROFITS.
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